AGRICULTURAL OUTLOOK DIGEST

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MILK SUPPLY AND USE INCREASE

Dairy farmers are producing more milk and consumers are using more dairy products, especially cheese. Milk output, which has been gradually trending upward since 1970, was almost 2 percent higher this January-May than last year. However, the 1972 monthly increases tapered to 1 percent in May.

Through May, stronger commercial sales absorbed this production rise. Domestic commercial disappearance of milk in all uses, on an average daily basis, was up about 2 percent from a year earlier this January-May. Much of the increase came from cheese's spectacular 10-percent sales gain. The sales spurt for cheese was probably associated with higher retail meat prices.

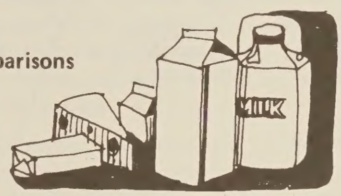
Cheese wasn't the only gainer. Fluid-product sales were looking stronger than in recent years and frozen product and butter sales were up slightly.

So, despite production increases, CCC needed to buy about 9 percent less dairy products through May than in the year-ago period.

For January-March 1972, farm milk prices were up 3 percent from a year before, mainly reflecting an increase in support levels for the year ended April. Year-to-year price gains since then have slowed.

Farm milk prices may continue slightly higher than year-earlier levels during the rest of 1972.

Price Comparisons



Although there is a pickup in use of dairy products, the larger milk supply has helped to moderate price increases. In May, retail dairy product prices were about 2 percent higher than in May 1971, while all grocery food prices were up 3½ percent. Despite the strong cheese sales, the retail cheese price was up only 3 percent.

Cheese Quotas

Import quotas, established in an early June Presidential proclamation, now extend control to the entry of Swiss-type and the miscellaneous tariff category for "other" cheeses priced at 47-62 cents per pound. Imports of cheese in these categories, formerly unregulated, had increased substantially in recent years.

The new quotas will be combined with quotas for the same types of cheese priced under 47 cents, and apply to specific countries. For June-December 1972, a quota for cheeses in the 47-62 cents range has been set; it is 7/12 of the annual level which will go into effect January 1, 1973. The 1973 quotas are equal to actual 1970 imports of the regulated types of cheese.

The control mechanism for cheese imports has been made responsive to changes in the price support level. The "price break" level, over which cheese comes in unregulated, is now 62 cents a pound, a prescribed 7 cents above the support price for cheese. This setup limits the ability of cheaper foreign cheeses to enter the domestic market. At the same time it continues to allow free entry to the higher priced specialty cheeses.

Last year, imports of quota cheese didn't come up to quota levels and imports of nonquota cheese were 10 percent under 1970's amount. World dairy supplies were limited.

This year cheese imports have been running heavy for both quota and nonquota types. World dairy supplies are larger and U.S. cheese use is heavy. With a larger combined quota now in effect, and the recent pace of imports, 1972 cheese imports will be over the 1971 level of 136 million pounds.

IMPORT QUOTAS, PRICE-BREAK CHEESES

Type	1972 quota, cheeses under 47 cents per lb.	New quota for June-Dec. 1972 47-62 cents per lb.	Combined 1972 total	1973 quota, cheese under 62 cents per lb.
Emmenthaler	4.3	9.4	13.7	20.4
Gruyere-process	3.3	4.6	7.9	11.2
"Other" cheese:				
Over ½-pct. butterfat	25.1	9.1	34.2	40.7
Under ½-pct. butterfat	8.9	---	8.9	8.9

JULY HIGHLIGHTS

MORE CIGARETTES MADE AND SMOKED

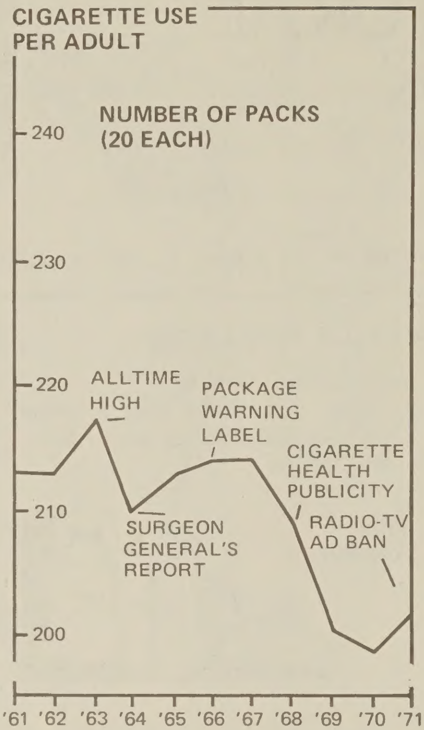
The cigarette consumption increase this year is marked by heavier smoking by Americans and growing use of cigarettes abroad.

U.S. smoking is rising even though the price per pack keeps going up. In the past 12 months 11 States raised their tax per pack, triggering the recent price increases. Of course, consumers also earn more than ever before.

During the 10 months ended this April, U.S. smokers puffed 4 percent more cigarettes than in the same period a year before. Since the adult population rises about 1½ percent a year, the average number of cigarettes smoked per adult also gained in the last 10 months.

As people worldwide have more money to spend, they buy more U.S. cigarettes. In fact, foreigners bought a fifth more between last July and this April than in the preceding like period.

For the year ended June 30, it's estimated, U.S. cigarette output was 595 billion, up 2 percent from the prior season.



1971/72 WRAP-UP

Unmanufactured tobacco exports made a sizable recovery in January and February, so the July 1971-April 1972 total was only moderately below a year earlier. For all of 1971/72, which includes May and June, total shipments were expected to be down around 5 percent from the 555 million pounds export weight of the previous year. Exports to Japan gained this season; the United Kingdom and West Germany took less.

Flue-cured exports were down 11 percent in July 1971-April 1972, principally due to smaller shipments to the United Kingdom and the European Community. Burley exports for the crop year ending September 30 should exceed both last year's level and the 1969/70 high of 48 million pounds.

In the first 6 months of 1972/73, U.S. exports of unmanufactured tobacco should substantially exceed the 219 million pounds (export weight) of a year earlier, when dock strikes held back shipments. Favorable economic conditions and an increasing demand for tobacco continue for our major customers in Western Europe.

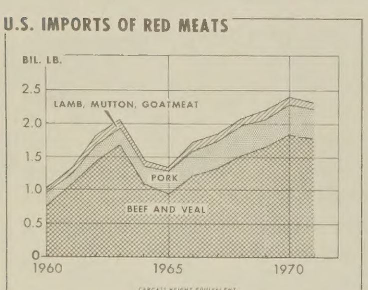
SPRAYERS CHECKED

USDA will spot-check 1972-crop tobacco for DDT and TDE residues. To receive price support during the past 2 years, producers had to certify that they didn't use DDT or TDE on tobacco after it was planted in the field. Pesticide residue levels fell substantially, but analyses of the 1971 crop showed some evidence of the banned bug sprays. Even a little of these residues could hurt acceptance of our tobacco. West Germany has set near-zero tolerances for DDT and TDE next year and the German rules may become applicable to the enlarged European Community, including Great Britain, Ireland, Norway, and Denmark when they become full-fledged members shortly.

BROILER, EGG PRICES UP

Summer and fall egg prices probably will average moderately above the depressed levels of a year ago.

Larger egg supplies and weak demand for table use have resulted in sharply lower prices so far in 1972. In mid-May producer prices for all eggs averaged 27.4 cents a dozen, nearly 2 cents below last May.



Markets have strengthened in recent weeks and will continue to gain as output eases from the high levels of last year.

Egg output this year through April averaged 2 percent above January-April 1971, with increases tailing off, and May output was below a year earlier.

Although June 1 layer numbers were down from June 1971, and although the flock is aging, any expected production declines will be limited by a higher rate of lay.

Farm broiler prices early in 1972 held up despite larger output, and recovered to year-earlier levels after a short dip in April. Prices will increase seasonally this summer and probably average slightly higher during the second half of 1972.

January-April output was about 8 percent over 1971, and the margin of increase is likely to continue but narrow in coming months. Meanwhile, broilers are moving smartly at retail. Supplies of pork have diminished, and beef output so far this year is up only marginally. Even if there were a strong seasonal price rise for broilers, their prices would still be low in comparison with competing meats.

SOYBEAN PRICES UP

Soybean prices continue an uptrend which began in late 1969. They were $3.35 a bushel at the farm level this May, and could average $3 for the season.

With soybean storage bins emptying rapidly, summer prices are expected to continue strong. This June-August, they'll average well above the $3.08 received in those months last year. With only a 2 or 3 week supply likely to remain at the end of August, prices will be senstitive to any large changes from expectations in new-crop conditions.

The soybean crush has not matched 1970/71 levels so far this season, and may be off 5 percent for 1971/72. Reduced crushings mainly reflect the smaller supplies this season. Also, there are lower milling margins and lagging export demand for soybean oil.

The spot processing margin declined from 19 cents a bushel last October to minus 3 cents in mid-June. Margins so far this season have averaged 10 cents. A year before they averaged 27 cents, and 2 years before, 52 cents. Excess capacity and shrinking supplies will keep pressure on summer margins.

November futures prices, however, suggest that new-crop margins may be a more favorable 15-20 cents per bushel. Processors use the futures extensively to lock in their upcoming operating margins.

Cheaper Dollar Helps Exports

U.S. soybean exports for the 1971/72 season may be just shy of the 433 million bushel level of the past 2 marketing years.

Japan, biggest buyer, is taking as many beans as last season; Taiwan and the European Community are taking more while Canada and Israel are buying less.

Foreigners get more dollars for their own currencies because of changed world monetary relationships, helping offset higher prices of soybeans for export this season.

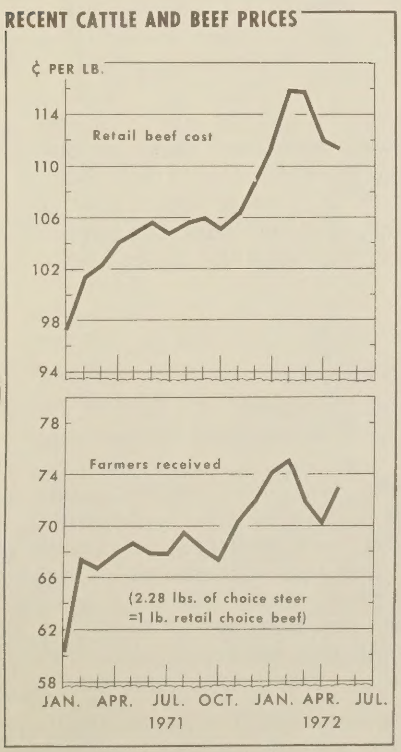
In Japan, for example, currency realignment and Japan's elimination of the tariff on soybeans have kept importers' costs fairly close to last season's levels although prices in the United States have gone up.

Soybean oil exports are running into some stiff competition this season. Exports for the season ending September 30 may total over 1.3 billion pounds, down from 1.7 billion last season.

Shipments under food-aid programs are down and commercial exports face substantially larger foreign supplies. Our competitors have geared up while we have had modest increases in soybean output in the past 2 years. Current overseas factors include:

- Continued expansion of palm oil production in Malysia,
- Sharply increased 1971 West African peanut crops following years of decline,
- The large upsurge in Brazil's 1972 soybean crop,
- Larger exports of soybean oil from Europe, largely crushed from U.S. soybeans,
- Very heavy supplies of rapeseed from Canada, and
- More sunflowerseed production from Eastern Europe, Spain, and Australia.

Soybean oil prices (crude, Decatur) likely will average well below the 14-cents a pound of July-September 1971, reflecting lagging demand and relatively high inventories.



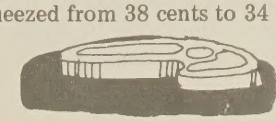
MEAT TRENDS

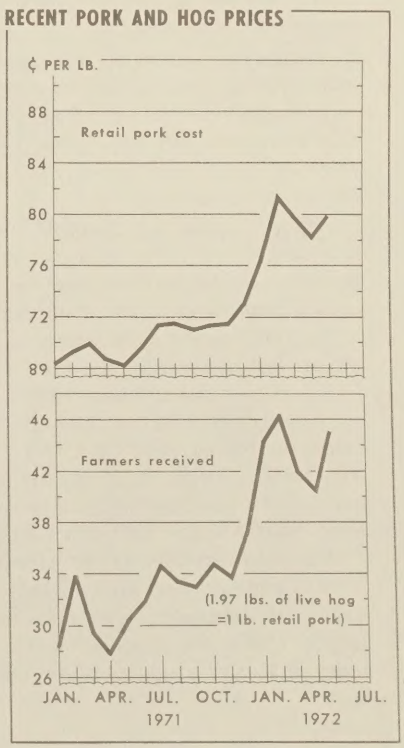
Retail beef and pork prices took opposite turns during May.

Beef prices at retail dropped from $1.12 to $1.11 a pound, while retail pork cuts rose from 78 to 79 cents a pound.

At the farm level, the farm value of live steer equivalent to 1 pound of retail cuts picked up from 70 to 73 cents. Thus the farm-to-retail marketing margin for beef was squeezed from 42 to 38 cents, the smallest margin since January.

The farm value of pork in a pound of retail cuts rose smartly from 40 cents in April to 45 cents in May. In May 1971, the value had been a much lower 30 cents. Since retail pork prices didn't rise as much as farm prices this May, the farm-to-retail margin was squeezed from 38 cents to 34 cents.





LESS NONCITRUS FRUIT, MORE ORANGES

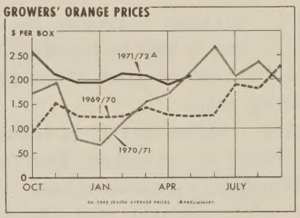
Production of 7 early fruit crops will be down an indicated 13 percent this summer from last year's large output and prices will be above levels of recent years.

Freestone peach output may be at the lowest level since 1955; the sweet cherry and apricot crops will also be particularly small. On the West Coast, the Barlett pear and strawberry crops are below last year.

The California grape crop has suffered serious damage from spring frosts. Raisin stocks are already low relative to recent years and reduced pack prospects could place raisins in a short supply situation.

The orange harvesting year is ending with more left for harvest than last summer, although total output will be up only 1 percent.

Production of early and midseason oranges lagged, but Valencia output was larger. And, with Valencias maturing later than last season, remaining supplies are running over a third above year-ago levels.



Strong demand held grower orange prices above year-ago levels through April. Prices have held steady into summer, but haven't matched the sharp May-June rise of 1971, a reflection of winter freeze damage and strong demand for processing.

WANT TO GO DEEPER?

The job of this digest is to present the gist of current outlook reports from USDA. If you would like more detailed information on any of the topics discussed in this issue, write Agricultural Outlook Digest, Economic Research Service, U.S. Department of Agriculture, Washington, D. C. 20250, indicating the topics, and we'll send you the original reports.

FOREIGN FOCUS

Digested from Foreign Agricultural Trade of the United States, June 1972

Farm Exports Still Gaining

Farm exports continue to better the record pace of fiscal 1971. Preliminary data for July-May, the first 11 months of fiscal 1972 just ended, show U.S. agricultural exports of $7.3 billion, in front of the $7.1 billion of the prior July-May period. Exports totaled $7.8 billion in fiscal 1971 and probably equaled or topped that figure for the year just ended.

Looking at exports in more detail for July-May, grains and products value trailed the 1970/71 level by 9 percent, due to lower prices and smaller volume. Both wheat and wheat products were lower. Feed grain and product shipments also were lower. Feed grain shipments were off to Japan but larger to the EC.

Export value of oilseeds and products made an 8-percent advance due to higher prices for soybeans and products. Soybean oil volume was lower but cottonseed oil shipments were substantially higher.

Cotton exports were worth more because of higher prices. But exports for the full fiscal year probably fell to 3.4 million bales, down from 3.7 million in 1970/71.

Tobacco exports for July-May showed larger shipments for burley, dark-fired, and Maryland tobaccos but less for flue-cured. Total export value was up. Uncertainty as to Rhodesia's future as an exporter has caused many buyers to purchase only current needs.

Fruit and vegetable export value increased a tenth and livestock and product sales advanced 12 percent. Recent easing of Japanese restrictions on grapefruit imports helped create the produce boost, while sales gains for hides and dairy products highlighted the livestock category.

Agricultural Imports Continue Advance

U.S. farm imports for the first 11 months of fiscal 1972 pressed 4 percent ahead to $5.5 billion. Imports of supplementary items, which compete with domestic farm products, were ahead 7 percent to $3.6 billion. Imports of noncompetitive items were slightly lower.

There were strong advances for many imports: feeder cattle and calves, casein, beef, pork, cotton, citrus and apple juices, cashews and other edible nuts, palm oil, sugar, wine, and tobacco.

Over the past 5 years, our agricultural imports have grown 30 percent. Farm imports have grown substantially from every region of the globe. In 1971, a fourth, valuewise, came from South America; Asia shipped 17 percent; Western Europe, 12 percent; Africa, 11 percent; Oceania (Australia and New Zealand), a tenth; and the Caribbean, 7 percent.

Transshipments Grow

Between 20 and 30 percent of the value of our farm exports to Canada, the Netherlands, and Belgium are transshipments—destined to be reexported to third countries.

Recently constructed deepwater ports and storage and processing complexes have made the St. Lawrence Seaway ports, Rotterdam, and Antwerp stopoff points for U.S. exports of such basic commodities as feed grains, soybeans, and protein meals. With the growing world meat appetite, transshipments of these feed ingredients and other U.S. farm goods to the 3 countries rose to $455 million in 1970, 4 times more than a decade before.